

**STATE OF KANSAS
CHILD CARE PROVIDER MARKET RATE STUDY**

Prepared for:
**STATE OF KANSAS
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES**

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I. INTRODUCTION

Milliman, Inc. (Milliman) was retained by the Kansas Department of Social and Rehabilitation Services (SRS) to determine the current market rates for child care services in the State. Market rates (in percentiles from 50 – 100) were requested on both an hourly and monthly basis. This report presents the results of the calculations and describes the methodology used.

In this report, we have relied on information provided by Kansas. The primary data source for the market rates is the Kansas Association of Child Care Resource and Referral Agencies (KACCRRRA) database. This database contains information (provider type, rates, enrollment, capacity, etc.) for providers throughout the State collected between October 2007 and June 2008. Since the database is used as a referral source for families seeking child care provider information, it is updated regularly.

Although the data was reviewed for reasonableness, Milliman has not audited the data. If the data provided is inaccurate or incomplete, the figures in this report may need to be revised. This report has been written for Kansas SRS. It is our understanding that this report will become part of the State of Kansas Child Care and Development Fund State Plan. Any distribution should be in its entirety. Milliman assumes no duty or liability to any third party who receives this report, even if Milliman consents to its release.

II. BACKGROUND

Kansas subsidizes a portion of the child care expenses incurred by some low-income families. These subsidies allow the parents/guardians to participate in training programs, attend school, or maintain employment. Eligibility as well as the amount of subsidy is based on both income as well as family size.

State child care subsidy rates are based on local market rates (prices charged to the private sector) for child care as determined by a market rate analysis and other factors such as state budgets. Rate information as well as other provider specific information can be gathered through surveys or the use of existing state databases. For this study, the rate data was provided by KACCRRRA.

The KACCRRRA data uses Kansas Department of Health & Environment child care licensing categories. For SRS/State rate purposes, the providers are categorized into three groups: Licensed, Registered, and Centers. The providers are also grouped into one of three county groupings (high-cost, mid-cost, and low-cost) and given a maximum subsidy rate by age group.

The market-centered child care system can be traced back to the Family Support Act of 1988 (FSA). This Act laid the framework for the child care system of today. Federal funding under the Act required states to establish rates for child care based on market rates. The Act states that child care rates should be based on the price of child care services in the market. The primary focus is that subsidized children should have the same access to child care as private-pay children. The market rates are to be analyzed periodically. They should be established for different types of care, such as child care centers, group home care, and family home care. The guidelines suggest that state rates should be established at least at the 75th percentile of actual provider charges (market rates). According to the federal Department of Health and Human Services (DHHS), “the 75th percentile of a market rate survey can be ‘regarded as providing equal access.’” At the 75th percentile, a child would be able to choose three out of four providers in the surveyed market.

Several child care programs were funded by the FSA. However, in 1996, all the child care programs that were funded and/or endorsed by the FSA were revoked, except the Child Care and Development Block Grant (CCDBG). The CCDBG was amended, and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was established. The PRWORA was the revised version of the FSA. The newly established child care funds were transferred to the amended CCDBG. The federal Department of Health and Human Services (DHHS) referred to these combined funds as the Child Care and Development Fund (CCDF). In addition to the guidelines established by the FSA, the PRWORA required that market rates be surveyed at least every two years. Relying on market rates helps to ensure equal access to subsidized child care. If states ignored the market-based approach, it is believed that the state rates would not allow for equal access for eligible children versus private-pay children nor the promotion of parental choice.

In 1998, DHHS issued final regulations 45 CFR Parts 98 and 99, Child Care and Development Fund; Final Rule which contained the federal requirement of conducting a child care market rate analysis.

In 2001, *Conducting Market Rate Survey and Establishing Rate Policies* was prepared for the Child Care Bureau, Administration for Children and Family Services, U.S. Department of Health and Human Services, under contract with the National Child Care Information Center (NCCIC). This document was for informational purposes only but served as a guide to states. According to the document:

“Federal regulations outline three core components of the market-based approach to child care subsidies under the CCDF. The CCDF Final Rule was promulgated in the *Federal Register* in August 1998 (45 CFR Parts 98 and 99), and this Rule provides the present federal regulatory framework for market rate surveys. First, with regard to rates, CCDF Lead Agencies must assure that subsidy rates are sufficient “to ensure equal access” for eligible families to child care services that are comparable to those provided to families that do not receive subsidies. In addition, child care payment systems must be structured in such a way as to permit eligible parents to choose among various types of providers, including issuing certificates or vouchers for parents to use in the private market, as well as establishing grants or contracts with providers. Third, Lead Agencies also are required ‘to collect and disseminate to parents and the general public consumer education information that will promote informed child care choices.’”

The goal of the Federal regulations is to set child care assistance at a level of subsidy high enough so that assisted parents can have a sufficient level of choice to obtain child care in their own community. Due to the inconsistency in the market, rates are often established for subdivisions with common characteristics. An example would be to combine all the rural counties and establish a rate for that group. Another option is to establish rates for different quality levels. Through tiered reimbursement, child care programs are rated on established quality indicators. A state may choose to pay a higher subsidy rate to providers who achieve levels of quality beyond basic licensing requirements.

III. OVERVIEW OF MARKET RATE STUDY METHODOLOGY

This section describes, in general, the methodology used to calculate the percentiles of the child care rates within the State. A summary of the results is shown in Section IV. More detailed results are included in the appendices.

We have compiled Monday – Friday Traditional Work-Hour child care provider rates, ranging from the 50th to the 100th percentile for both Hour and Month. These ranges represent the rates that child care providers charge the private pay full-time population on an hourly and monthly basis. Weekend and evening/night/early morning rates were used to develop an Alternative Hour factor.

Due to the State’s concern regarding the credibility of the capacity information in the current KACCRRA database, the percentiles were calculated based on the number of rates. This “provider-weighted” method gives each line of data an equal weighting in calculating the percentiles. A “capacity-based” method would give a higher weighting to a line of data with a higher reported capacity (number of slots available at this price for this age group). The KACCRRA database contained different data breakouts than that needed for the market rate study. The following mappings were used to group the KACCRRA data into the needed rating categories.

A. Provider Type:

Table 1 shows the grouping of the provider types provided by KACCRRA in the License Type field to the three market rate study provider type groups. Providers that could not be grouped into one of the three categories (less than 1% of all providers) were excluded from the percentiles. Appendix 2 provides the number of providers for each provider type by county.

TABLE 1 – PROVIDER TYPES		
Centers	Licensed	Registered
Child Care Center	FCC Group	FCC Registered
Child Care Center, Preschool	FCC Group, FCC Licensed	
Exempt - Other	FCC Group, Temporary KDHE Regulation	
Exempt Head Start or School Age Program	FCC Licensed	
Head Start Center	FCC Licensed, Temporary KDHE Regulation	
Preschool		
School Age Program		
School Age Program, Exempt Head Start or School Age Program		

B. County Rate Groups:

Providers were grouped so that a county cost could be calculated. Then, the counties were combined into three area groups (1, 2, and 3) based on the 50th percentile for the county as compared to statewide percentiles. Group 1 consists of counties with 50th percentiles equal to or greater than the 75th statewide percentile. Group 2 consists of counties with 50th percentiles equal to or greater than the 60th statewide percentile but less than the 75th statewide percentile. Group 3 consists of all counties with a 50th percentile less than the statewide 60th percentile. Assignments were made based on provider-weighted results. This year's analysis has resulted in a change of Area Group for seven counties when compared to last year's analysis. Five of these changes were to a lower cost group.

The use of more/fewer area groups was considered but felt not necessary at this time. The primary goal of grouping rates into rate cells is to combine providers with similar costs for similar services. A larger number of groups could increase administrative complexity as well as reduce the credibility within rate cells. The grouping method described above has resulted in most of the counties included in the higher cost groups being in the Kansas City and Wichita areas and counties in the lower cost group in rural areas. The impact of extreme outliers has been reduced due to the elimination of any hourly rates below \$1 or above \$10. Licensed and Registered providers have similar costs. The State could consider grouping these two provider types, but it is not necessary.

TABLE 2 – AREA GROUPS	
Group	Counties
1	Douglas, Johnson, Miami, and Riley
2	Butler, Ellis, Franklin, Leavenworth, Rawlins, Sedgwick, Shawnee, and Wyandotte
3	Remaining 93 counties

The area group assignments were determined based on county composites. Results could be different for certain provider types or age groups. For instance, Miami county meets the criteria for Group 1 overall, for licensed, and for centers but not for registered. However, there are limitations and credibility issues when looking at costs by county and provider type due to the small amount of data.

C. Age:

Table 3 shows the grouping of the age groups used in the KACCRRRA database to the SRS rate age groups. The mapping, including the weighting, was determined by the State based on the relation of expected costs of the various age groups.

TABLE 3 - AGE GROUPS	
Rate Cell	KACCRRRA Age Group Description
Licensed and Registered	
Under 18 months	Under Age 1 12-17 mos (between 1 & 1 ½ yrs)
Over 18 months	18-23 mos (between 1 ½ & 2 yrs) 2 Years 3 Years 4 Years 5 Years 6 Years and Older
Centers	
12 months and less	Under Age 1
13 months - 18 months	12-17 mos (between 1 & 1 ½ yrs)
19 months - 30 months	18-23 mos (between 1 ½ & 2 yrs) 2 Years
31 months - 5 years	.217 * (18-23 mos (between 1 ½ & 2 yrs) + 2 Years) .783 * (3 Years + 4 Years + 5 Years)
6 years +	6 Years and Older

D. Additional adjustments that were considered include:

- Selection of Data:**

Only those providers who submitted full-time Traditional Work-Hour rates were included in the percentiles. Providers with Saturday and/or Sunday Days of Care, providers with a Start Time prior to 5:00 am, and providers with an End Time after 7:00 pm were used to determine an appropriate Alternative Hour Provider rate adjustment. Providers with only part-time rates were also excluded from the percentiles.

- Hourly and Monthly Conversion**

The Hourly and Monthly percentiles are based on the full-time rates provided in the KACCRRRA database. The full-time rates were provided in terms of Hour, Day, Week, Month, and Year. Rate information was not a requirement for licensing, so not all providers submitted rate information. For those that did submit rates, some providers provided multiple rates (i.e, hour and week), some provided a single rate (i.e., week only), and some provided part-time rates. Conversion to Hourly and Monthly rates was necessary for many of the providers.

Full-time child care is commonly determined in dollars per week. Therefore, the State has requested that if a provider submitted weekly rate information, that field should be used in the percentile calculations. Following this reasoning, the State has requested the following process be used in the Hourly conversions.

- 1) If the provider provided a full-time Weekly Rate, that rate was converted to a full-time Hourly Rate.
- 2) If the provider did not provide the information above but did provide a full-time Monthly Rate, the full-time Monthly Rate was converted to a full-time Hourly Rate.
- 3) If the provider did not provide the information above but did provide a full-time Daily Rate, the full-time Daily Rate was converted to a full-time Hourly Rate.
- 4) If the provider did not provide the information above but did provide a full-time Hourly Rate, the full-time Hourly Rate was used.
- 5) If the provider did not provide the information above but did provide a full-time Yearly Rate, the rate was excluded from the analysis.

A similar approach was used for the Monthly percentiles.

- 1) If the provider provided a full-time Weekly Rate, that rate was converted to a full-time Monthly Rate.
- 2) If the provider did not provide the information above but did provide a full-time Monthly Rate, the full-time Monthly Rate was used.
- 3) If the provider did not provide the information above but did provide a full-time Daily Rate, the full-time Daily Rate was converted to a full-time Monthly Rate.
- 4) If the provider did not provide the information above but did provide a full-time Hourly Rate, the full-time Hourly Rate was converted to a full-time Monthly Rate.
- 5) If the provider did not provide the information above but did provide a full-time Yearly Rate, the rate was excluded from the analysis.

To convert the reported rates into hours, an estimated number of implied hours per week was calculated for each line of data with both a full-time hourly rate and a full-time weekly rate. From this, we used only those lines of data with implied hours that were between 45 and 55 hours per week to determine the average implied hours of full-time child care services per week. This decision was based on discussions with the State as well as research on the average number of hours a child spends in child care per week. Research was conducted on programs in other states as well as industry and government studies. Five days a week and 4.33 weeks per month were used to convert day and month rates. A similar approach was used for the Monthly percentiles. Table 4 provides this information for the full-time rates.

TABLE 4 – FULL-TIME IMPLIED HOURS	
Hours per Week	47.63
Hours per Day	9.53
Hours per Month	206.41
Days Per Month	21.67
Weeks Per Month	4.33

In comparison, Table 5 provides the implied hours in the part-time data. A similar approach of calculating the implied hours for each line of data was completed. However, no exclusions were made. Also, each timeframe was calculated independently. For example, the hours per

month were determined based on providers providing both part-time hourly and part-time monthly data.

TABLE 5 – PART-TIME IMPLIED HOURS	
Hours Per Month All Providers	104.93
Hours Per Month Preschool	34.87
Hours Per Month Others	159.98
Hours Per Day All Providers	7.02
Hours Per Day Preschool	2.50
Hours Per Day Others	7.09
Hours Per Week All Providers	26.79
Hours Per Week Preschool	27.52
Hours Per Week School Age	15.43
Hours Per Week Others	26.88

- **Alternative Hours**

The KACCRRRA database contained Days of Care and Start Time and End Time data. The data was analyzed to determine a factor that could be applied to the Traditional Work-Hour rates to represent appropriate alternative hour rates. Overall, there was not a significant difference between the average cost per hour for full-time Traditional Work-Hour care and full-time Alternative Hour care.

Table 6 illustrates the location and types of providers who reported Alternative Hour rates.

TABLE 6 - COUNT OF PROVIDER ID WITH ALTERNATIVE HOUR RATES		
Provider Type	Area Group	Count
Licensed	1	51
	2	384
	3	285
Registered	1	16
	2	172
	3	106
Center	1	5
	2	12
	3	15
Not Available	All	8

- **Accreditation/Professional Development**

An analysis of accreditation/professional development is often recommended. Many states encourage quality by paying higher quality providers a higher amount. This can be done through a tiered payment system (i.e., gold, silver, and bronze levels), a percentage factor, or a flat dollar incentive amount. Quality can be determined by the curriculum, staff

qualifications, random site inspections, etc. States often include accreditation by the primary accreditation bodies in their level of quality determination.

Accreditation/Professional Development information was available in the KACCRRRA database. However, only a small number of providers were accredited. The limited amount of accredited provider data did indicate that a higher rate exists in the private market. However, due to the limited amount of data available, conclusions should not be drawn from this finding. Last year, the KACCRRRA data did not show a higher rate. The current Traditional Work-Hour percentiles include information on both the accredited and non-accredited providers.

A similar comparison was done of the providers who were indicated as participating in Kansas Quality Rating System (KQRS), Army Child Care in Your Neighborhood (ACCYN), Apprenticeship, Early Learning Opportunities Act (ELOA), EXcellent Care for Early Learning (EXCEL), Early Head Start, Smart Start, Teacher Education and Compensation Helps (T.E.A.C.H.), or WAGES in the Program Participation field of the KACCRRRA database. Overall, there was not a significant difference in rates between those indicating participation and those not indicating participation. The current Traditional Work-Hour percentiles include information on both the professional development providers and non-professional development providers.

We have summarized the accredited providers (those indicated in the KACCRRRA database as meeting the criteria of the National Association for the Education of Young Children (NAEYC), and the National Association for Family Child Care (NAFCC)) as well as Professional Development providers by Area Group. Provider information by County and Provider Type is provided in the appendices.

TABLE 7 – NUMBER OF PROVIDERS			
Area Group	NAEYC	NAFCC	Professional Development
1	24	11	108
2	29	17	156
3	31	15	606
Total	84	43	870

- **One Center in a County**

Some sole centers (only one center in a county) have felt that their costs have been underrepresented. Table 8 compares the cost of Rush County (the only sole center in a county that provided full-time rates) to the other child care provider types within that county. Rush County borders Ellis County (includes Hays, Kansas) which is included in Area Group 2. Information for Ellis County is also included in Table 8.

For most counties, the sole center did not provide full-time rates. Therefore, they were not included in the percentiles and a comparison of rates cannot be completed. More information

would be needed to determine if sole centers should be grouped separately, or if a factor to increase rates is justified.

TABLE 8 – SOLE CENTER RATES			
County	Center Rate – Provider Based	50th Percentile County Hourly Traditional Work- Hour Rate – Licensed	50th Percentile County Hourly Traditional Work- Hour Rate – Registered
Rush	\$2.10	\$2.00	\$1.88
Ellis	\$2.20	\$2.25	\$2.10

- Trend – Since the rates are updated regularly throughout the year, it is believed that they are current and no trend is needed. The data is as of June 2008. Also, no regulatory change is anticipated that would indicate an expected increase.

IV. SUMMARY OF RESULTS AT 50th PERCENTILE – TRADITIONAL WORK-HOUR RATES

The following summarizes the hourly and monthly rates for Traditional Work-Hour child care as found in the KACCRRRA database. The range of percentiles from 50 – 100 have been provided in the appendices. Appendix 4 shows the hourly Traditional Work-Hour rate percentiles by provider type, age group, and area group. Appendix 5 shows the same information for monthly rates. Appendix 6 and Appendix 7 show the Traditional Work-hour rate percentiles by provider type, age group, and county for Licensed facilities in terms of Hour and Month, respectively. Appendices 8 - 11 provide the same information but for Registered facilities and Centers.

Tables 9 - 11 compare the 50th Percentile of the Proposed Area Groups to the “Current Maximum Rates”. Please note that the “Current Maximum Rates” are those provided in the Rate Analysis for Child Care Market RFP dated September 8, 2006. These are the base rates and do not consider any additional factors such as Special Purpose Rates. Licensed is based on Licensed/Group Homes. Registered is based on Registered Homes.

TABLE 9 - LICENSED TRADITIONAL WORK-HOUR RATES – PROVIDER BASED			
Group	50th Percentile – Month	50th Percentile – Hour	Current Maximum Rates - Hour
Under 18 months			
1	\$650.00	\$3.15	\$3.12
2	476.67	2.31	2.22
3	390.00	1.89	1.80
Statewide	433.33	2.10	Not Provided
Over 18 months			
1	541.67	2.62	2.72
2	412.82	2.00	2.00
3	368.33	1.78	1.70
Statewide	390.00	1.89	Not Provided

TABLE 10 – REGISTERED TRADITIONAL WORK-HOUR RATES – PROVIDER BASED			
Group	50th Percentile – Month	50th Percentile – Hour	Current Maximum Rates - Hour
Under 18 months			
1	\$650.00	\$3.15	\$3.00
2	433.33	2.10	2.02
3	390.00	1.89	1.75
Statewide	433.33	2.10	Not Provided
Over 18 Months			
1	541.67	2.62	2.50
2	433.33	2.10	2.00
3	368.33	1.78	1.56
Statewide	412.82	2.00	Not Provided

TABLE 11 – CENTERS WORK-HOUR RATES – PROVIDER BASED			
Group	50th Percentile – Month	50th Percentile – Hour	Current Maximum Rates - Hour
12 months and less			
1	\$1,005.34	\$4.87	\$4.48
2	693.33	3.36	3.36
3	476.67	2.31	2.10
Statewide	650.00	3.15	Not Provided
13 months - 18 months			
1	834.17	4.04	3.85
2	585.00	2.83	2.88
3	433.33	2.10	2.00
Statewide	567.67	2.75	Not Provided
19 months –30 months			
1	736.67	3.57	3.85
2	541.67	2.62	2.88
3	412.82	2.00	2.00
Statewide	541.67	2.62	Not Provided
Centers – 31 months – 5 years			
1	668.81	3.24	3.12
2	507.73	2.46	2.20
3	394.95	1.91	1.84
Statewide	494.11	2.39	Not Provided
Centers – 6+ years			
1	435.50	2.11	2.98
2	455.00	2.20	2.01
3	348.78	1.69	1.75
Statewide	411.67	1.99	Not Provided